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Hearing Date & Time: April 20, 2009 at 9:40 A.M.
Objection Deadline: April 15, 2009 at 5:00 P.M.

Attorneys for the Plaintiffs/Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	: Chapter 11
	:
BAYOU GROUP, LLC, <u>et al.</u> ,	: Case No.: 06-22306 (ASH)
	:
Debtors.	: Jointly Administered
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BAYOU SUPERFUND, LLC,	: Adv. Proc. No.: 06-08422 (ASH)
	:
Plaintiff,	:
	:
-against-	:
	:
H & B HEDGE FUND II LLC,	:
	:
Defendant.	:
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**NOTICE OF HEARING ON MOTION OF THE DEBTORS AND
DEBTORS-IN-POSSESSION PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 9019 FOR ORDER AUTHORIZING AND APPROVING
SETTLEMENT AGREEMENT BETWEEN THE DEBTORS AND H & B HEDGE FUND II LLC**

PLEASE TAKE NOTICE that a hearing will be held before the Honorable Adlai S. Hardin, United States Bankruptcy Judge, Southern District of New York, Room 520 at the United States Bankruptcy Court, 300 Quarropas Street, White Plains, New York on April 20, 2009 at 9:40 A.M. (Prevailing Eastern Time) to consider the motion (the "H & B 9019 Motion") of the above-captioned debtors and debtors-in-possession (the "Debtors") for entry of an order pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") approving the settlement agreement by and between the Debtors and H & B Hedge Fund II LLC ("H & B") (the "H & B Settlement Agreement").

The Settlement Agreement Between the Debtors and H & B

H & B invested \$2,000,000 in the Bayou Hedge Funds (the "Investment"). In August 2004, H & B requested full redemption and withdrawal of its participation interests in the Bayou Hedge Funds. H & B received redemption payments totaling \$2,607,438 (the "Redemption Payments"), including \$2,000,000 equal in amount to the Investment (the "Principal Payment") and \$607,438 in fictitious profits (the "Profits Payment"). On or about August 21, 2006, the Debtors commenced this

adversary proceeding (the "Adversary Proceeding") against H & B with the filing and service of a complaint (the "Complaint"). On or about October 27, 2006, Bayou Superfund filed an Amended Complaint against H & B in the Adversary Proceeding. Through the Adversary Proceeding, the Bayou Hedge Funds sought, among other things, to (a) avoid and preserve the Redemption Payments, (b) set aside the Redemption Payments, and (c) recover the Redemption Payments from H & B for the benefit of the Bayou Hedge Funds' estates. On October 16, 2008, the Bankruptcy Court issued its Decisions on Cross-Motions for Summary Judgment, and on January 29, 2009, the Bankruptcy Court's Order Directing Final Judgment was entered. The Bankruptcy Court awarded summary judgment in favor of the Debtors on their first and second claims for relief avoiding and recovering the full amount of the transfers, including principal invested and total profits, under 11 U.S.C. §§ 548(a)(1)(A), 548(a)(1)(B), and 550, dismissing the individual affirmative defenses of H & B under 11 U.S.C. § 548(c), and denying H & B's cross-motion for summary judgment. Under the H & B Settlement Agreement, H & B has agreed to pay the Debtors \$2,107,438, an amount consisting of 75% of the Principal Payment and 100% of the Profits Payment. The principal terms of the proposed H & B Settlement Agreement, as embodied in the H & B Settlement Agreement, are as follows:¹

- H & B has agreed to pay the Debtors 100% of the portion of the Redemption Payments consisting of Purported Profits.
- H & B has agreed to pay the Debtors 75% of the portion of the Redemption Payments equal to the amount of its invested principal.
- H & B has agreed to waive all claims, including all claims under section 502(h) of the Bankruptcy Code, against the Debtors.
- H & B will retain any available claim against the Government Restitution Fund.
- H & B will be permitted to reduce the percentage of principal to be paid if the Debtors settle with certain other redeemer defendants on more favorable terms prior to July 31, 2009.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Motion must be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official Web site for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Wordperfect or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers), and served in accordance with General Order M-242, and served upon (i) Dechert LLP, 1095 Avenue of the Americas, New York, New York 10036 Attention: Gary J. Mennitt, Esq. and Jonathan D. Perry, Esq. and (ii) Sonnenschein Nath & Rosenthal LLP, 1221 Avenue of the Americas, New York, New York 10020, Attention: Carole Neville, Esq. and Holly Falkowitz, Esq. to allow actual receipt of the foregoing by no later than April 15, 2009 at 5:00 P.M.

PLEASE TAKE FURTHER NOTICE that copies of the Motion and all documents filed in support of the Motion can be obtained at <http://www.bayoubankruptcy.com>.

¹ This description is merely a summary of, and is qualified in its entirety to, the H & B Settlement Agreement annexed to the H & B 9019 Motion as Exhibit Y. The description is not to be used to resolve any issue of interpretation that could arise under any of the settlement agreements.

Dated: New York, New York
April 7, 2009

DECHERT LLP

By: /s/ Jonathan D. Perry

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